

WISCONSIN'S TRUST LANDS

Managing Wisconsin's Trust Assets for Public Education

Distributing \$ 32 Million for Public School Libraries—Third Highest Distribution in History



Quick Facts on Wisconsin's Trust Lands

Land Ownership:

| | |
|--------------------|--------------|
| Surface acres: | |
| Public Schools | 6,000 acres |
| Teachers' Colleges | 70,000 acres |
| Universities | 37 acres |

| | |
|--------------------|--------------|
| Mineral acres: | |
| Public Schools | 2,000 acres |
| Teachers' Colleges | 11,000 acres |
| Universities | 0 acres |

FY 2010 Revenue from the Land \$ 337,000

FY 2010 Revenue from Investments \$33,000,000

FY 2010 Common School Fund at Cost \$810 Million

FY 2010 Normal School Fund at Cost \$ 25 Million



The Trust Lands surrounding One Stone Lake, and particularly the hemlock forest along the north shore of the lake, ranks high on the Wisconsin DNR's Endangered Resources list of natural areas worthy of protection.

Wisconsin's trust lands and funds are managed by the Board of Commissioners of Public Lands (BCPL). Created when Wisconsin gained statehood in 1848, BCPL currently manages four trust funds that total approximately \$835 million in financial assets and slightly less than 78,000 acres of land.

The largest of these is the Common School Fund, which was established by the Wisconsin Constitution in 1848 with the granting by the federal government of approximately 1.5 million acres of land for educational purposes. The vast majority of these lands have been sold to create the principal for a permanent school fund, with earnings to be exclusively used to support and maintain common schools (now known as K-12 public schools) and "the purchase of suitable libraries and apparatus therefor" [Section 2, Article X of the Wisconsin Constitution]. The founding fathers of Wisconsin had the prescience to provide for growth of the Common School Fund through the addition of "clear proceeds" of all fines, fees and forfeitures that accrue to the state, including unclaimed property. The remaining 5,500 acres within the Common School Fund is managed for sustainable timber production and public recreation, with timber sale revenues added to fund principal.

The Wisconsin Constitution also provided a mechanism to fund two-year teacher colleges, or "normal schools." The Normal School Fund received title to approximately 1.75 million acres of land granted to the state pursuant to the federal Swamp Land Act of 1850. The proceeds from selling this land funded the creation of normal schools, which have been known

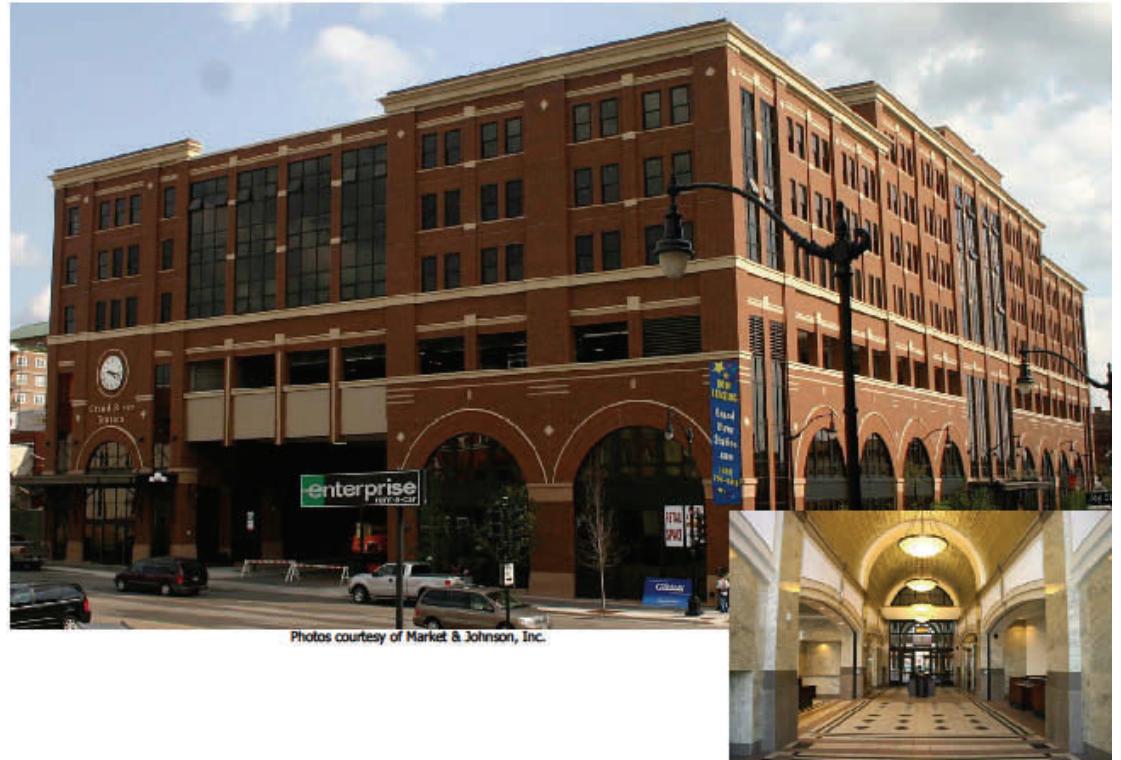
through the years as State Teacher Colleges, Wisconsin State Colleges, and Wisconsin State Universities. These schools were eventually integrated into the University of Wisconsin system in 1973. The Normal School Fund today includes over \$20 million in financial assets and over 70,000 acres of land that is managed for sustainable timber production and public recreation.

The University Fund and Agricultural College Fund contained no provisions for growth of fund principal after the sale of their original land grants, and all earnings of these smaller funds are distributed annually to the University of Wisconsin.

Management of Trust Lands and Trust Funds within Wisconsin is different than for many of the Western States. Unlike other states, there is no revenue generated by grazing, agriculture, commercial and industrial uses, residential leasing, conservation leasing, or minerals on any of the trust acreage. This is not surprising given that the vast majority of remaining trust lands are forests located in rural areas of northern Wisconsin.

Wisconsin is also unique among states with remaining trust lands because of the BCPL State Trust Fund Loan Program, which for the past 140 years has loaned money to municipalities and school districts throughout the State of Wisconsin for public purpose projects. Projects include economic development, school repairs and improvements, local infrastructure, and capital equipment and vehicles. Interest paid on these loans becomes the earnings for the Common School Fund, and is returned to Wisconsin communities in the form of aid to public school libraries.

School librarians depend on the financial support the program provides each year. In most districts, these dollars represent the only funding available to purchase books, newspapers and periodicals, computer hardware and software, web-based resources, and other library materials. This focus on public school libraries has resulted in significant benefit to schools and has a tremendous impact on educational opportunities for students.



Photos courtesy of Market & Johnson, Inc.

The city of LaCrosse, Wisconsin, financed the construction of the Grand River Station with a State Trust Fund Loan from the Board of Commissioners of Public Lands. The facility includes a metro transit center, retail outlets, 72 units of rental housing, condominiums and a parking deck.

As mentioned, remaining Trust Lands under BCPL management total approximately 78,000 acres of mostly forest lands located in rural northern Wisconsin. The amount of timber acreage and productivity is increasing as a result of Land Bank authority granted by the legislature in 2006, which enables the proceeds of land sales to be invested in improving the quantity and quality of timber holdings in the agency's portfolio.

The agency faces several challenges in managing these lands. Timber prices have fallen dramatically since the high of FY 2006 and sugar maple saw timber is about half what it was just 3 years ago. This decline has a significant impact on revenue from the lands. Many mills have gone out of business. Invasive exotic species have altered forest composition and productivity. The agency is trying to pre-salvage some of the value from certain ash stands before the emerald ash reaches the ash forests, as there is no known effective control at this time. At least nine other invasive species present dangers to the forests or involve expensive eradication procedures.

Climate change poses additional stresses and creates complex challenges for land managers. Deer herds above natural carrying capacities of the land coupled with drought have had significant impacts on forests. Pests also become worse during droughts, and trees do not have the water needed to withstand the infestations. Despite these challenges, the agency continues to manage the lands for long-term sustainability and income generation.

Wisconsin's Board of Commissioners of Public Lands is comprised of the Secretary of State, the State Treasurer and the Attorney General; agency operations are under the direction of an Executive Secretary who serves at the pleasure of the Board.

FY 2010 Additions to Trust Fund Principal:

| | |
|-----------------------|----------------|
| Fines and Forfeitures | \$ 18 million |
| Unclaimed Property | \$15 million |
| Timber Revenue | \$337 thousand |

Investment Income Distributed to Schools:

\$32 Million



Photo courtesy of Brent Nastacio

Check presentation of \$32 million from the Wisconsin Board of Commissioners of Public Lands to the Department of Public Instruction to support K-12 public school libraries (pictured from l to r: Tony Evers, State Superintendent; Dawn Marie Sass, Commissioner and State Treasurer; J.B. Van Hollen, Commissioner and Attorney General; Doug LaFollette, Commissioner and Secretary of State)